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BCStats

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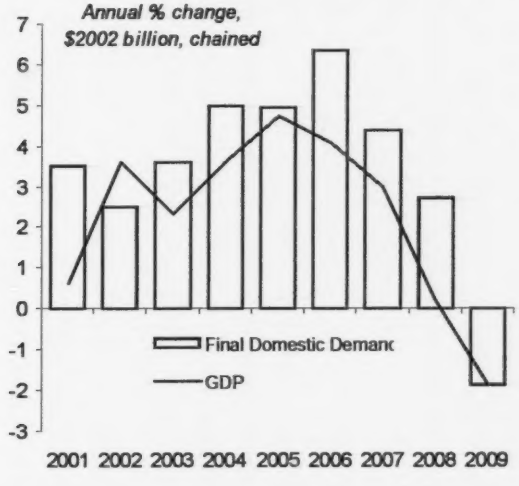
Weaker growth in third quarter as economy loses some steam

BC's economy in the recession...

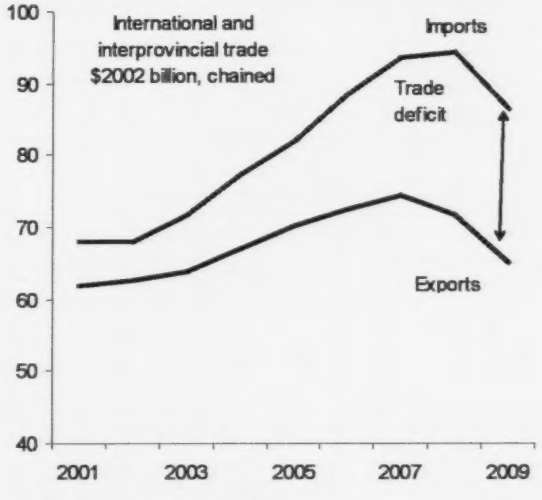
British Columbia's economy shrank 1.8%[1] in 2009 as business investment in new buildings, structures and equipment plunged and consumer spending stalled. Final domestic demand shrank 1.9% during the year, and external demand for goods and services produced in the province slumped. Although purchases of imported goods and services also declined, BC's trade deficit with other countries and provinces continued to grow. In 2009, the value of total imports consumed in BC was nearly a third higher than the province's total exports.

Weak domestic demand...



Data Source: Statistics Canada

...and a burgeoning trade deficit contributed to a 1.8% decline in GDP in 2009



Data Source: Statistics Canada

Despite the downturn, BC fared better than most other regions during 2009. The Canadian economy shrank 2.5%, with all provinces except Manitoba[2] posting at least a marginal decline in total GDP. Ontario, together with Saskatchewan, Alberta and Newfoundland (provinces that have outperformed the national average in the recent past) all recorded slower-than-average growth in 2009.

...and beyond

The Canadian economy began to emerge from the recession in the latter half of 2009, posting very strong growth at the end of the year and early in 2010. Since then, however, there have

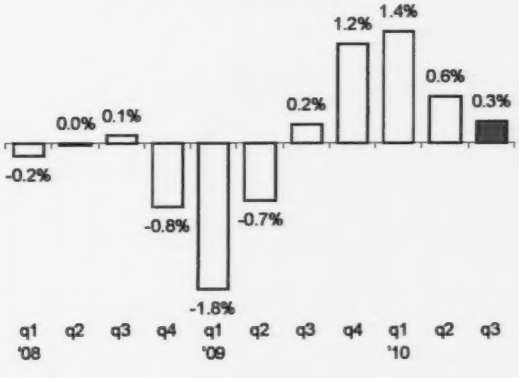
[1] The figures quoted in this section are measured in chained 2002 dollars.

[2] Manitoba's GDP was unchanged from the 2008 level.

been some indications that the economy may be losing momentum. Third quarter growth was a modest 0.3%, and monthly industry data suggest that the economy shrank in September (–0.1%), marking the first monthly decline since August 2009.

Slower growth in the Canadian economy

GDP at market prices, Canada, seasonally adjusted, % change from previous quarter



Data Source: Statistics Canada

As 2010 draws to a close, the economic situation in the province, like that in other parts of North America, remains unclear. Some indicators are very positive, while others are less robust. While many indicators have improved considerably throughout the year, the effects of the recent recession have left their mark, and it could take some time before the economy has fully recovered from the downturn.

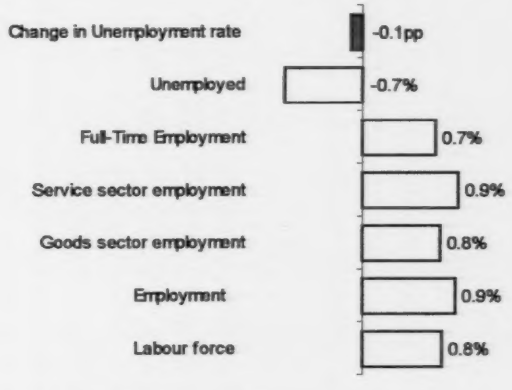
Labour market conditions improved

BC's unemployment rate during the third quarter averaged 7.4%, which was only marginally (–0.1 percentage point) less than the second quarter rate. Employers in both the goods and service sectors hired more workers. Job growth in the province was nearly double the Canadian increase, and stronger than in any other province except Newfoundland and Labrador. The number of Employment Insurance beneficiaries, which had been climbing as the ranks of the unemployed swelled, has stabilized, but at a higher level than during the early part of the decade.

However, labour market indicators were not all positive. Although full-time employment is rising, the number of people with part-time jobs has grown much more rapidly since the beginning of the year. British Columbia's unemployment rate remains well above levels seen in the recent past, and has declined only modestly from its peak of just over eight percent in late 2009.

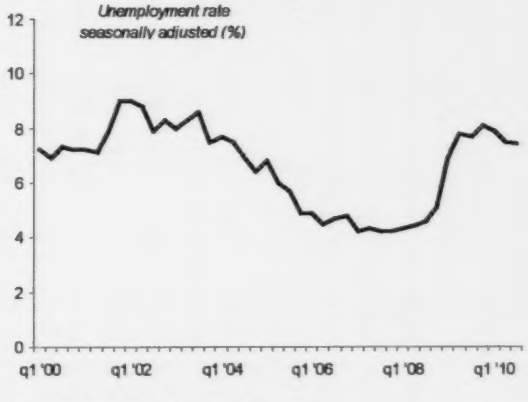
More people found jobs...

Labour market indicators, seasonally adjusted, % change from previous quarter



Data Source: Statistics Canada

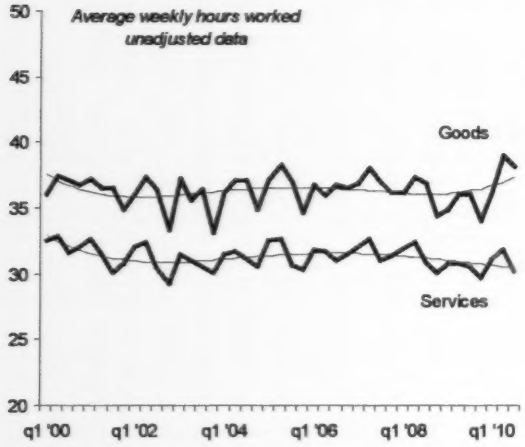
...but the unemployment rate was virtually unchanged in the third quarter



Data Source: Statistics Canada

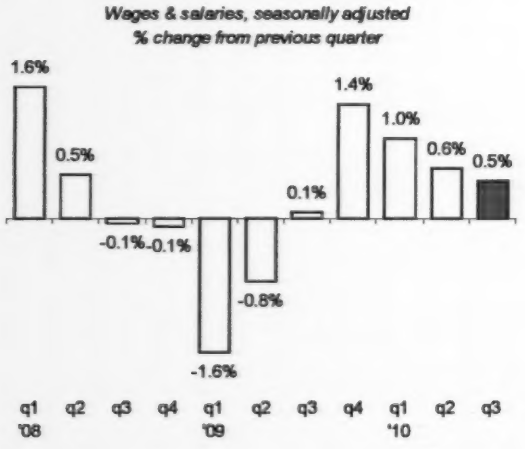
Workers in goods-producing industries spent a little less time on the job (on average) in the third quarter. Average weekly hours worked in goods-producing industries had been trending up since late 2009. In the service sector, the trend remained slightly downward.

Workers in both goods and service industries spent less time on the job



Data Source: Statistics Canada

Labour income increased, but at the slowest rate since the third quarter of 2009



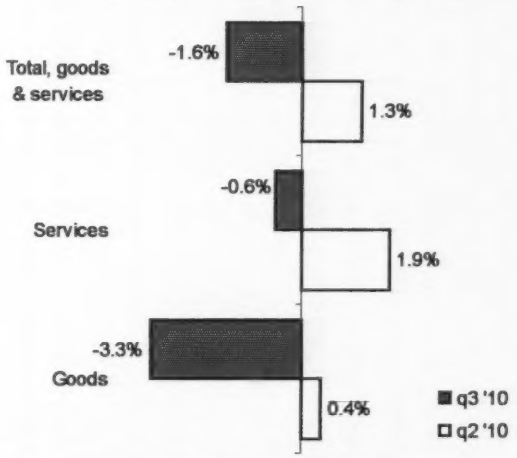
Data Source: Statistics Canada

Labour income, a measure which reflects employment levels, the number of hours spent on the job and wage rates, continued to rise in the third quarter. However, the rate of increase was the lowest recorded since the third quarter of 2009. This marked the third straight quarter in which labour income growth in BC has been below the national average. In fact, labour income growth in the province has remained at or below the national average since the beginning of 2008. During most of that time, the increase has been lower than in the country as a whole.

Consumer spending was restrained

Consumers kept the lid on spending, reducing their total purchases of goods and services by 1.6%[3] in the third quarter. Purchases of services slipped and spending on consumer goods was down significantly.

Consumer spending fell in the third quarter



Consumer expenditures, % change from previous quarter, seasonally adjusted (2002 dollars)

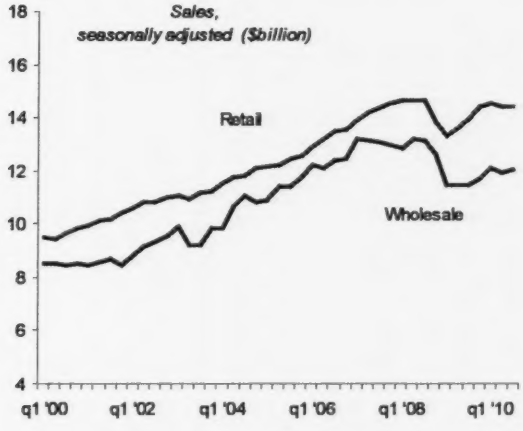
Data Source: BC Stats estimates, based on preliminary data

Retailers felt the effects of more restraint on the part of consumers. Sales[4] declined for a second straight quarter, although the downturn was less pronounced than it had been earlier in the

[3] Consumer expenditures are reported in 2002 dollars.
[4] Retail and wholesale sales figures are reported in current dollars.

year. Sales by wholesalers bounced back after slumping in the spring.

Wholesale sales remain well below pre-recession levels

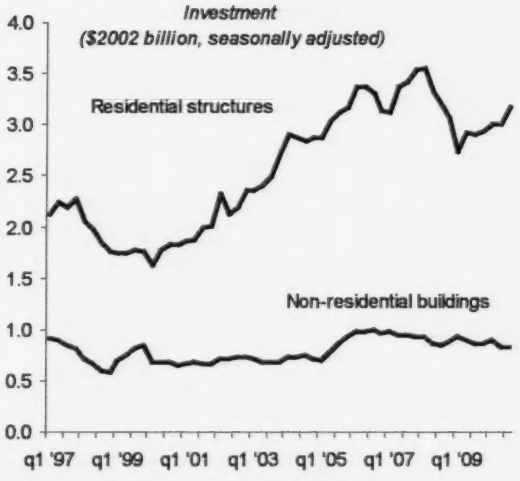


Data Source: Statistics Canada

While retail sales have virtually recovered to pre-recession levels, wholesale sales remain well below the levels seen prior to the recent downturn. Normally, sales follow a general upward trend, as price changes put upward pressure on the total value of sales even when there is little change in the volume of goods sold. Wholesalers provide inputs used by other producers and the fact that wholesale sales remain well below pre-recession levels suggests that some of their customers are still not buying as much as they were prior to the recession.

Housing market weaker in third quarter

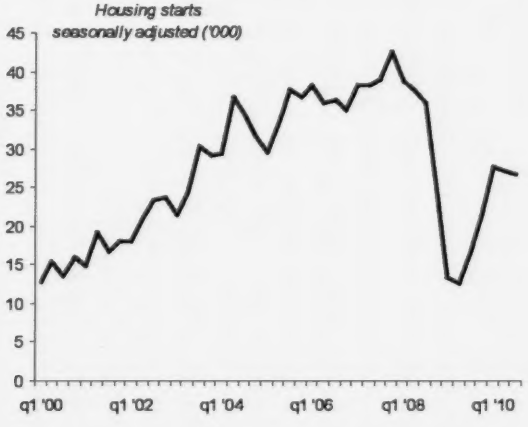
Investment in residential structures continues to rise



Data Source: Statistics Canada and BC Stats

Investment in residential structures, which includes the value of new housing construction, improvements to existing dwellings, real estate commissions and other charges related to the transfer of property, rebounded in the third quarter. However, business spending on non-residential buildings remained relatively flat.

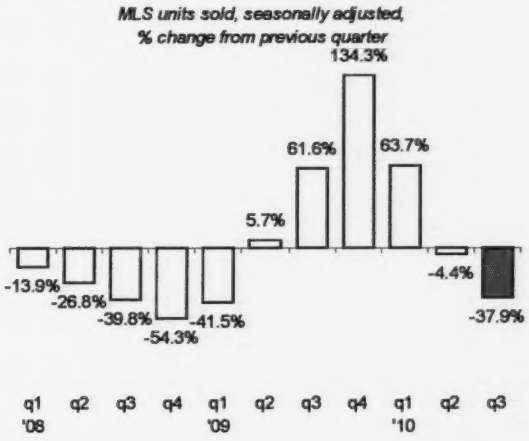
BC housing starts slip again



Data Source: Canada Mortgage and Housing Corporation

Housing starts, which had been on the rebound after plunging to their lowest level in decades in 2009, slid back 1.5% in the third quarter. This was the second straight decline in starts, following three quarters of nearly 30% growth.

Housing resales were down in the third quarter



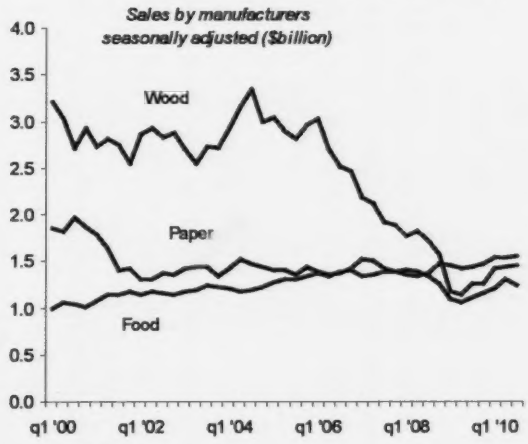
Data Source: Canadian Real Estate Association data, seasonally adjusted by BC Stats

Manufacturing sales rise but exports slip in third quarter

Sales of goods manufactured in the province rose 1.6%[5] in the third quarter. Wood manufacturers increased their sales 1.4%, and producers of computers and electronics saw shipments jump 11.9%. However, shipments by producers of paper products slipped 5.1% and total sales by non-durables manufacturers inched down 0.1%.

With the recent decline in the forest sector, there has been some realignment in BC's manufacturing sector. Wood and paper production has historically dominated manufacturing in the province. At present, however, the value of wood products shipped in BC has been cut down to less than 50% of 2000 levels. With a concurrent slump in paper shipments, the food industry has moved into the number one position in the province, at least in terms of sales. However, the wood industry remains the dominant contributor to total manufacturing GDP.

Total sales by food manufacturers now exceed those of wood and paper producers



Data Source: Statistics Canada

BC commodity exports[6] slipped 3.8% in the third quarter. Exports to the US were down 5.7% while shipments to other destinations dropped 2.1%.

A mixed bag of results in the tourism sector, but most indicators were weak

Many tourist-related establishments received a boost in the winter months, when the province welcomed visitors who came to watch or participate in the Olympic Games. With the departure of the athletes and guests, business returned back to more normal levels.

Room revenues at traveller accommodations are now back on track, rising slightly during the third quarter following a post-Olympic slump earlier in the year. However, sales at food service and drinking places (which serve tourists as well as local customers) dipped in

[5] Manufacturing sales are reported in current dollars.

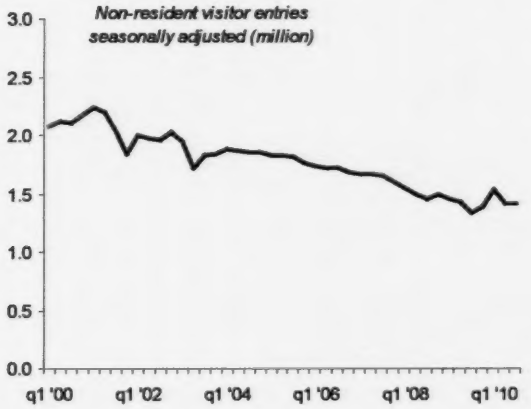
[6] Exports are reported in current dollars.

the third quarter and entries to BC from the US and overseas continued to slide.

Room revenues back on track...

Data Source: BC Stats

...but visitor entries continue to slip



Data Source: Statistics Canada and BC Stats

How did BC's economy fare in the third quarter?

British Columbia's economy continued to send out mixed signals in the third quarter, with some economic indicators making solid gains while others struggled.

Overall, however, the indicators suggest the economy entered a period of slower growth in the third quarter, which is hardly surprising given the economic conditions in the rest of Canada and in key international markets for BC products.

Despite robust growth earlier in the year, some key economic indicators remain well below pre-recession levels. The confidence of consumers and businesses in the economy still seems fragile, and could easily be shaken by external shocks. The world economic and financial situation remains a cause for concern. It is possible that BC, along with the rest of Canada, could find itself on a somewhat bumpy economic road in the coming months.